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# Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

/089 W
---------- 001365
R 271632Z DEC 74
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 6864
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
AMCONSUL EDINBURGH
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 16798

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A
TAGS: ECON, UK
SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING DECEMBER 27

SUMMARY: IN A SHORT WORKING WEEK, GOLD HIT NEW HIGHS.
THIRD QUARTER GDP INCREASED ALMOST 1 PERCENT OVER THE
SECOND QUARTER, BUT CONSUMER CONFIDENCE CONTINUES TO FALL.
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MONEY SUPPLY INCREASED MODESTLY IN NOVEMBER. END SUMMARY

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1. THIRD QUARTER 1974 GDP FIGURES (1972 EQUALS 100) SHOW THE AVERAGE ESTIMATE INCREASING TO 106.2, UP ALMOST 1 PER-CENT FROM 105.2 IN THE SECOND QUARTER. THE NEW FIGURE FINALLY PUTS U.K. GDP ABOVE ITS LEVEL IN THE THIRD QUARTER OF 1973 (105.4).

2. THE FINANCIAL TIMES CONSUMER CONFIDENCE INDEX CONTINUES TO MOVE DOWNWARD. THE ALL ADULTS INDEX IS AT MINUS 28.5, LOWER THAN AT ANY POINT SINCE JUNE 1971. THE ALL MALE INDEX STANDS AT MINUS 35.2, AN ALL-TIME LOW. THE INDEX, BASED ON A MONTHLY SURVEY, WAS TAKEN BEFORE NEWS THAT CHRYSLER WILL BE PUTTING MORE THAN 5,000 WORKERS AT ONE PLANT ON A THREE-DAY WEEK THE LAST THREE WEEKS OF JANUARY, WITH SIMILAR ANNOUNCEMENTS TO COME AT OTHER PLANTS. THUS FAR, CHRYSLER IS THE ONLY ONE OF THE U.K.'S FOUR MAJOR DOMESTIC CAR MANUFACTURERS TO HAVE ANNOUNCED SHORT-TIME MEASURES.

3. BANK OF ENGLAND MONEY SUPPLY FIGURES, OCTOBER 16 TO NOVEMBER 20, SHOW RATES OF INCREASE BELOW CURRENT RATES OF INFLATION. MONTHLY PERCENTAGE CHANGE FOR NARROWLY DEFINED M1 WAS 0.4 PERCENT, BROADER BASED M3, 1.2 PERCENT. RATES OF INCREASE FROM NOVEMBER 1973 ARE 7.0 AND 13.5 PERCENT, RESPECTIVELY.

4. MARKETS WERE CLOSED HERE WEDNESDAY AND THURSDAY. IN ACTIVE TRADING ON MONDAY, GOLD HIT A NEW PEAK OF $193 AN OUNCE. IMMEDIATE RATIONALEOFFERED BY MARKET WAS REPORT THAT WEEKEND DIFFERENCES BETWEEN FRANCE AND IRAN ON OFFICIAL PRICE OF GOLD HAD BEEN IRONED OUT. PRICE FELL SLIGHTLY, TO $192.50 ON TUESDAY, BUT OPENED AT $194.50 ON FRIDAY, DECEMBER 27, CONTINUING UPWARD PATH.

5. STERLING FELL 40 POINTS FROM $2.3305 ON DECEMBER 19 TO $2.3265 ON DECEMBER 24 IN QUIET TO MODERATE TRADING. TRADE WEIGHTED DEVALUATION INCREASED FROM 21.2 (DEC. 19) TO 21.5 ON DEC. 24. BASED ON 1 POUND EQUALS $2.60, INVEST MENT DOLLAR PREMIUM ROSE TO 88 PERCENT DURING THE WEEK, OR
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ABOUT 68 PERCENT AT EXCHANGE RATE OF $2.32 - $2.33. FOR-
WARD DISCOUNTS NARROWED SOMEWHAT:

| | 12/19 | 12/24 | CHANGE |
|---|---|---|---|
| 1 MONTH | 1.95 | 1.30 | DOWN 0.65 |
| 3 MONTHS | 4.85 | 4.00 | DOWN 0.85 |
| 6 MONTHS | 8.15 | 7.23 | DOWN 0.92 |

(ALL FIGURES IN CENTS)

6. EURODOLLAR RATES WERE UP SLIGHTLY.
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| | 12/19 | 12/24 | CHANGE |
|---|---|---|---|
| 1 MONTH | 10 | 10-1/4 | UP 1/4 |

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| | | | |
|---|---|---|---|
| 3 MONTHS | 10-1/8 | 10-1/4 | UP 1/8 |
| 6 MONTHS | 10 | 10-1/8 | UP 1/8 |

7. LOCAL AUTHORITY RATES FELL.

| | 12/19 | 12/24 | CHANGE |
|---|---|---|---|
| 1 MONTH | 11-3/4 | 11-1/8 | DOWN 5/8 |
| 3 MONTHS | 13-5/16 | 13 | DOWN 5/16 |
| 6 MONTHS | 14 | 13-3/4 | DOWN 1/4 |

8. THE MINIMUM LENDING RATE REMAINED UNCHANGED AT 11-1/2 PERCENT ON FRIDAY, DECEMBER 27, 1974.

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# Message Attributes

**Automatic Decaptioning:** X
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**Channel Indicators:** n/a
**Current Classification:** UNCLASSIFIED
**Concepts:** ECONOMIC CONDITIONS, MEETING REPORTS
**Control Number:** n/a
**Copy:** SINGLE
**Draft Date:** 27 DEC 1974
**Decaption Date:** 01 JAN 1960
**Decaption Note:**
**Disposition Action:** n/a
**Disposition Approved on Date:**
**Disposition Authority:** n/a
**Disposition Case Number:** n/a
**Disposition Comment:**
**Disposition Date:** 01 JAN 1960
**Disposition Event:**
**Disposition History:** n/a
**Disposition Reason:**
**Disposition Remarks:**
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**Handling Restrictions:** n/a
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**Previous Handling Restrictions:** n/a
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**Status:** NATIVE
**Subject:** ECONOMIC DEVELOPMENTS - WEEK ENDING DECEMBER 27 SUMMARY: IN A SHORT  WORKING WEEK, GOLD HIT NEW HIGHS.
**TAGS:** ECON, UK
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